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Chilton's

AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

MAY 1987

ACCESSORIES:
What's Your Share Of This Expanding Market?

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Has Co-op Giving Become Give-In? (See our story on page 34)

FEATURES

Sell The Extras For Extra Profits 25
There are some interesting trends in today's six billion dollar accessories business.

Advertising: Has Co-op Giving Become Give-In? 34
Is co-op dead? Some suppliers think so. Big retailers are getting more funds over and above available co-op allowances.

POS: Getting More Than Expected 43
POS systems are key elements in the success of retailers today. They will play an even greater role in the future.

DEPARTMENTS

Detailing The Market 5
Editorial 13
The *Automotive Marketing* Index 14
The Consumer Car Care Guide CC1
Market Line 17
Reader Service Card 37
Merchandising Page 46
Products 48
Rep Guide 51
Ad Index 54

ABOUT OUR COVER: Our thanks to Chevrolet Motor Division for the loan of the 1988 Chevy Full-Size C/K pick-up truck used on the cover. And our thanks to the many suppliers who loaned us the accessories shown in the bed

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PUBLISHER'S NOTES

A SPECIAL ISSUE

This is an exciting issue! Beginning with *AM's* cover shot, we open the door to one of today's very hottest markets... the light truck accessories market. These hang/bolt-on accessories dress up your basic truck; they beautify your bottom line.

What's more, our story on advertising became a very different story than we anticipated. When our Senior News and Feature Editor John Wirebach interviewed manufacturers about co-op, he couldn't get to his basic question list for all that they wanted to tell us... without questions, and without attribution. It's quite a story: read it!

Next month, you can read what retailers have to say about changing advertising and merchandising support practices.

Detailing The Market has expanded! Thanks to your response, we've increased our page size, and coverage, of aftermarket news items in our "quick take" format.

Our Consumer Care Care Guide is a systematic approach to car care for the consumer. Last year over 30,000 copies were distributed. Order your extras today... great giveaways for Spring promotions and new store openings.

We're proud of this issue. It offers you lots of good reading and useful information. What do you think? Let us hear from you. ■

Sarah Frankson, Publisher

DETAILING THE MARKET

IN-STORE FOCUS

Crown Auto Inc.
1850 Corporate Way
Eden Prairie, MN 55344
(612) 937-9000
Stores: 52
Total Chain Sales (est.): $36,000,000
% Retail Business: 100%
Average SKUs: 8,500
Service Bays: 198
Founded: 1962
Market Area: Upper Midwest

How does Crown Auto, with an average of only 8,500 SKUs per store, command such an impressive share of market?

One way, according to the chain's president/ceo Floyd Adelman, is through intensive advertising. Print, TV, radio, billboards and distinctive outdoor signing have led to what Adelman calls "top of the mind awareness—when the customer thinks auto parts and accessories, Crown Auto is the first thing that comes to his mind."

The chain sells auto parts and accessories, and maintains full-service bays in 48 out of 52 outlets. Unlike other major chains, Crown Auto builds all new stores to its own specifications. There have been no acquisitions since 1975.

Adelman believes a retailer like Crown Auto faces different types of competition.

"First, we're competing with auto parts and accessories retailers such as Champion, Big Wheel and so forth," he says. "Second, we carry a large percentage of the same products as discounters such as 7-Eleven, Target and K mart outlets. Next we have to compete with all sorts of other retailers, including dry cleaners and drug stores. Finally, as a service business, we're facing competition from tire companies and the so-called 'specialty stores'—muffler specialists, tune-up specialists, etc."

The only way to stay alive in such an atmosphere is to "build your own reputation on your own merits," Adelman believes. "The worst thing you can do is chase your competition," he says.

"In the Eighties, all kinds of retailers are selling automotive, from 7-Eleven to hotel gift shops," says Adelman. "One third of all retail establishments, including dry cleaners, sell auto products. We have to compete with all that."

According to Adelman's theory, if a chain is going to compete in today's market, it must think of itself as a retailer, with the customer number one.

"Most chains that were formed in the Sixties and before see themselves as 'good-old-boys' auto parts retailers," Adelman explains, "an offshoot of the jobber. They have not equated themselves to regular retailers."

To avoid that problem, Crown changed its thinking.

"We are no longer an auto parts store that retails," says Adelman. "Crown Auto is now a retail store that sells auto parts and service."

Managers' meetings are held twice a year. The theme for the year is unveiled at the Spring meeting. (This years's: "Striving for Retail Excellence.") A full two-day meeting for managers is followed by a complete repeat of the same meeting for the assistant managers. ("We feel the assistants are the future of the company, so we strive to give them equal treatment," says Adelman.)

Chain personnel receive weekly marketing mailers and a monthly "president's letter.

Adelman also has instituted a "Dear Floyd letter" system. "Dear Floyd" letter blanks are provided in every store. Any employee can send a letter; Adelman personally answers each one.

"We're trying to re-instill the entrepreneurial spirit," explains Adelman. "Chains start that way, with hands-on involvement and few regulations. As you grow, the structures, policies and so forth get instituted. And they are necessary. We operate with central advertising, central purchasing, etc. But from the appearance, customer service and employee standpoint, there can be differences from store to store.

Of course, planograms and other merchandising details are supplied by the home office, as in all chains. But managers have input, and SKUs can be different in different stores. In general, however, each outlet carries seasonal items in front. Specific items are tied together for add-on sales.

Each store carries foreign parts—a full line for major foreign cars. A special order department fills customers' special needs. This contributes to Crown Auto's full-service image.

That, and the fact that Crown Auto works hard to achieve customer awareness,

DETAIL

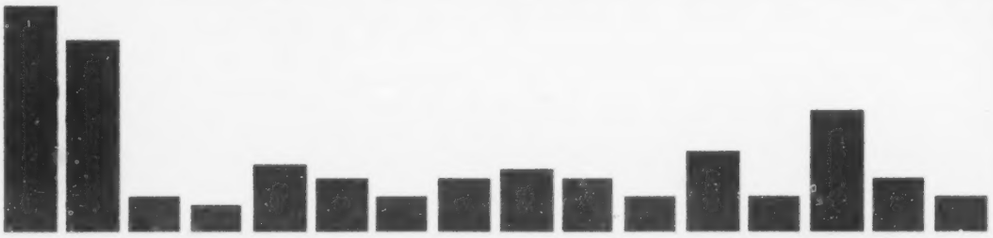
29%

of all DIYers who own three or more cars have graduated from college and/or done some post-graduate work, according to the 1987 *Automotive Marketing Consumer Automotive Repair Study.*

PROFILE: LIGHT TRUCK DIYers

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study,* we look at DIYers who drive light trucks.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+ 40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	85.1%	14.9%	11.8%	30.4%	22.4%	13.7%	21.7%	28.0%	22.4%	13.4%	36.2%	14.0%	53.7%	16.5%	15.8%



THE AUTOMOTIVE MARKETING INDEX

THE 1986-87 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

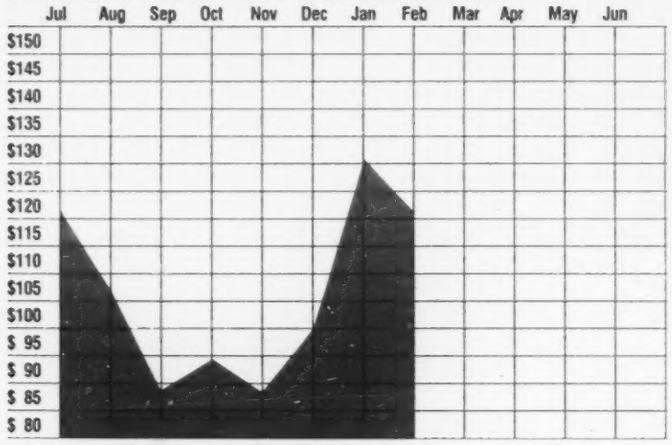
FEBRUARY 1987 NATIONAL AVERAGE MARKETBASKET PRICES

A non-resistor spark plug:	$ .74	A gas-charged shock:	$ 14.88
An oil filter:	2.41	One gallon of antifreeze:	3.87
A can of 10W30 oil:	.76	One pair of wiper refills:	2.80
A can of paste wax:	2.69	A 40-month battery:	28.94
An AM/FM/Cassette:	54.41	**Total:**	$111.55

FEBRUARY AM MARKETBASKET PRICES BY MARKETING AREA

1. Greenbelt East:	$101.45	9. Desert West:	108.03
2. Megapolis East:	87.57	10. Greenbelt West:	111.33
3. Smokestack East:	$112.56		
4. Old South:	111.26		
5. Caribbean South:	110.54		
6. Smokestack Central:	121.65		
7. Grainbelt Central:	117.51		
8. Spanish West:	114.14		

NATIONAL AVERAGE MONTHLY 1986-87 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (61-87)	High (61-87)
Personal Income	billion	Jan 87	$3,548.0	$3,546.8	$3,417.4	403.8 Jan 61	3,548.0 Jan 87
Personal Consumption Expenditures	billion	4Q	$2,819.9	$2,799.8	$2,667.9	328.5 1Q 61	28.9.9 4Q 86
Consumer Price Index	67 = 100	Jan	333.1	331.1	328.4	89.3 May 61	333.1 Jan 87

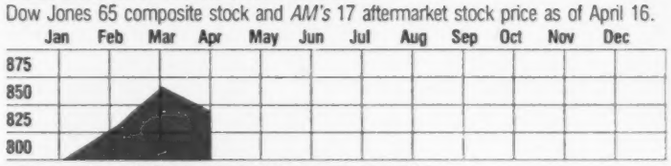
1987 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various retail chain, manufacturer, and distributor common stocks in different stock exchanges for the 52 week period prior to April 16.

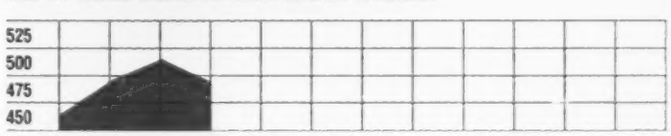
	Exchange	52-week High	52-week Low	4/16 Quote	P-E Ratio
Armor All	OTC	19 1/4	10 1/4	17 1/8	–
Cardis Corp.	AMEX	10	4 1/2	4 7/8	5
Champ Parts	OTC	12	3 1/2	9 1/4	37
Champ Spk Plg	NYSE	13 3/4	8 3/4	12 1/8	–
Chief Auto	OTC	19 3/4	4 1/4	14 1/4	17
Crown Auto	OTC	4 1/8	3	3 1/2	–
Dana Corp.	NYSE	44 5/8	25 1/2	43 1/4	26
Durakon	OTC	18	9 7/8	10 1/2	14
Echlin	NYSE	25 3/8	15 1/4	21 1/2	18
Facet	NYSE	19 7/8	8 3/4	18 5/8	22
Genuine Parts	NYSE	54 1/4	40	50 3/4	22
Mr. Gasket	OTC	15	4 3/8	5 3/8	13
Prkr Hannflin	NYSE	37 5/8	20 1/4	34 1/8	17
Pennzoil	NYSE	95	48 1/8	78	61
Pep Boys	NYSE	53	30 3/8	48	29
Perry Drugs	NYSE	20 7/8	12	12 7/8	37
Purolator	NYSE	40 5/8	15	39 3/8	–
Quaker State	NYSE	31 3/4	23 1/2	25 3/4	13
Republic Auto	OTC	9 3/4	6 5/8	7 3/8	–
Rite Aid	NYSE	39 3/4	26 3/4	36	19
Sealed Power	NYSE	35 3/8	23 1/8	33 3/4	15
Southland	NYSE	60 1/2	44	48 1/4	12
Stan Mtr Prod	NYSE	25 3/8	16 1/8	21 1/2	15
Superior Ind	AMEX	17	11 1/8	15 1/4	11
TBC Corp.	OTC	13 1/4	5 3/4	11 3/4	–
Tenneco	NYSE	50 1/2	35 3/8	46 1/4	–
Trak Auto	OTC	18 3/4	11	13 1/2	338
Triad Systems	OTC	15 1/8	8 1/2	13 1/8	26
Witco	NYSE	47 3/8	31 1/8	42 3/4	15

DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of April 16.



AM 17 COMPOSITE AFTERMARKET STOCKS



PRODUCT OF THE MONTH: BATTERIES

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed a battery during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55+	-$20K	$20-30K	$30-40K	40K	-1 hr	1-5 Hrs	6-10 Hrs	11+ Hrs	1	2	3 or More
100.0%	73.5%	24.7%	9.5%	30.1%	29.6%	11.3%	19.8%	27.5%	27 8%	13.1%	22.1%	14.4%	55.8%	15.7%	12.6%	26.5%	41.6%	31.9%

SELL THE EXTRAS FOR EXTRA PROFIT

There are some interesting trends in today's six billion dollar automotive accessories business.

by **Edward Kaufman,** Contributing Editor and **Gail Krueger-Nicholson,** Senior Editor

Accessories are items which are desired rather than absolutely needed. Your customers can drive their cars, trucks, vans, and utility vehicles right off the dearlership lot without buying a thing from your store. But, vehicle owners prefer to customize and personalize new vehicles, and they like to spruce up older vehicles as well. In fact, your customers place few limits on the items they will buy to put on, or in, their vehicles if the price is right, and if the items are useful or even just appealing and fun. Consequently, accessories are a $6 billion-plus business.

For example, does anyone really *need* one of those diamond shaped signs saying "Mother-In-Law in Trunk?" No. Yet one constant in the aftermarket is demand for novelty items. Sales of any fad item may be short lived. However, the same kinds of people who buy trendy "Baby On Board" signs are also good prospects for other nonsense items and, more importantly, for the high-ticket accessories that mean bottom-line profits for you.

While it is not possible to review all accessories in one article—there are just too many of them—there are some positive trends you should be aware of.

Strong Demand For Accessories

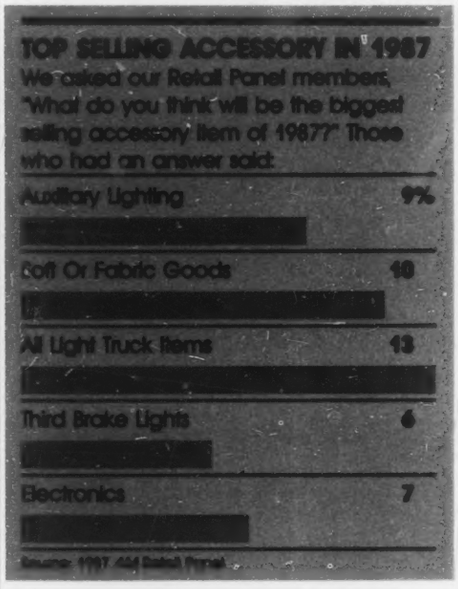
The most important trend is this: accessories are selling very well. And that is true in all categories, from gadgets to big-ticket electronics.

For instance, impulse accessories and gadgets continue to be solid sellers. This category is comprised of small miscellaneous items and tools. A few examples include dashboard coffee cup holders, holders for toll bridge change, visor mirrors, tire gauges, and ice scrapers. The list goes on and on. Some people in the aftermarket refer to this group of miscellaneous products as the "Allison category;" after the Allison Corp., Livingston, NJ, long identified with manufacturing and marketing a broad line of these impulse accessories.

Allison Corp. has had a good track record for accurately guessing which kinds of miscellaneous accessories and tools will appeal to car owners. Allison vice president Saul Dennison emphasizes that, "We are not in the novelty business. We avoid fad items."

On the other hand, the company is pretty quick to respond to what it considers to be significant trends in the market. Allison, along with other companies, has grabbed onto the trend of upgrading vehicles with prestige "designer brand"accessories. It has been licensed to use the "Playboy" and "Members Only" names on many of its product lines.

Is there a difference between these upgraded accessories and run-of-the mill accessories? You bet! You can buy a plain vanilla (actually, plain chrome) Allison tire gauge for about 99 cents. For a bit more, you can buy a Playboy tire gauge in black chrome with a white Playboy logo.


TOP SELLING ACCESSORY IN 1987
We asked our Retail Panel members, "What do you think will be the biggest selling accessory item of 1987?" Those who had an answer said:
Auxiliary Lighting 9%
Soft Or Fabric Goods 10
All Light Truck Items 13
Third Brake Lights 6
Electronics 7

For about $1.99 you can buy a top-of-the-line Members Only tire gauge which comes in a cloth bag. There are some substantive differences in the products for each price point.

A supplier notes, "An interesting trend in our business is the establishment of boutique sections for the prestige brand items. Thus, there may be a section for Playboy items and another for Members Only items. These will include items manufactured by other companies which are also licensed to use these names."

Another company taking advantage of the licensed name trend is Chandler Holt Dubois, Corona, CA, which markets driving accessories under the racing Andretti family name.

Besides Allison, there are several other sources for impulse accessories and gadgets. For example, Hopkins Mfg. Co., Emporia, KS, is big on ice scrapers, snow brushes and combination bug washer/squeegees. Allied Plastics, Gastonia, NC, is a source for molded car items like snack trays, litter baskets, beverage holders, oil drain pans, funnels and splash guards.

Soft Goods

Styles in car mats change and manufacturers come and go. However, overall demand for car mats appears to be steady. They are purchased to protect the flooring of new cars and cover up messy floors of older cars. These days you can obtain attractive carpet/rubber mats from your car dealer which will fit precisely in your new car and, or course, carry the car's logo. Guess what? Car owners are buying these mats—and *protecting* them with plain-old black rubber mats obtained from parts stores or mass merchandisers.

The seat cover market has gone through remarkable changes during the past 20 years. The market declined in the late 1960s to the mid 1970s, but has come back stronger than ever. According to one supplier, "Stores which used to devote only four feet of space to seat covers ten years ago have 16 foot sections today. It takes a lot of space to display all the styles, price points and configurations of interest to vehicle owners."

There is demand for low end sets retailing at $19.95 for front and back seats, increasing demand for more highly styled fabric seat covers retailing for upwards of $40, and continuing strong demand for genuine sheepskin covers costing about $150. One reason for the range of price points is that the reasons for purchase cover a broad range of motivations. Cheap seat covers are bought to cover up messy seating in older cars, the more highly styled textile covers are bought to individualize as well as protect new cars, and sheepskin seat covers are bought for comfort as well as appearance.

In addition to seat covers, there is strong demand for other fabric accessories. Sales of car dust covers used on parked or stored cars, and for car nose covers (also called "bras"), used to pro-

SELL THE EXTRAS

tect the fronts of low slung sports cars, continue to be strong.

Also included in the soft goods category are back-of-the-windshield sunshades, made of cardboard, paper or metallized mylar, and used to protect car dashboards and interiors from intense sun. The year-round demand for these items varies around the country for obvious reasons. However, wherever the heat buildup behind a windshield can get high enough to crack a dashboard or scorch a driver's hands on a hot steering wheel, these protective accessories can be good sellers.

Auxiliary Lighting

This category includes such hang-on lighting items as quartz halogen fog lights and driving lights. For years, owners of low slung sports cars have imparted a rakish air to their vehicles by suspending fog lights produced by such foreign manufacturers as Hella, Cibie, and Robert Bosch. Today, there is a strong market in lower-priced, second line lighting items.

These lights have serious functions, of course. They provide an extra margin of safety. But they are also undeniably appealing to vehicle owners who want to individualize their rigs, especially light truck and utility vehicle owners who festoon their grilles and roll bars with auxiliary lights.

One category of aftermarket auxiliary lighting which is fading a bit is, predictably, the third stop light. These are now mandatory on new cars. Their sales surged just after the mandatory regulation took effect, as owners of older cars wanted to give a "new car look" to their vehicles. Besides which, they are clearly useful in reducing rear end collisions.

Electronic Accessories: Radar Detectors

Electronic accessories like radar detectors, automotive sound, and security systems represent the high end of the accessories business. Here, changes in technology happen faster than fashion trends. And it is also here, that aftermarketers face some of the toughest challenges from OE manufacturers and other types of retailers. But it is also here that the biggest profits can be made.

The radar detector industry has seen good growth in unit sales and total sales dollars during the past two years. How large is the market? Estimates of unit sales as of 1986 range from a low of 1.8 million units to a high of 2.5 million units. Estimates of average retail selling prices range from $125 to $160. Our estimate: 2.2 million units at an average price of $140, for total retail sales of $308 million.

This growth has attracted more competitors. In addition to such old-timers in the business as Cincinnati Microwave, Controlonics (Whistler), Electrolert (Fuzz Buster), Fox, Bell, and Cobra, the field now includes such new entrants as Kraco, Sparkomatic, Panorama, and Craig. As a result, manufacturers have experienced a compression in their margins and selling prices. One sales executive comments, "There has been some erosion of margins—and it could get worse." He believes that the increase in the number of competitors will, inevitably, lead to shakeouts.

Manufacturers of radar detectors are reacting to increased competition in a variety of ways. They are:

- Reducing prices on some of their older models (and some of their newer models as well).
- Introducing innovative product features which add value and dollars to the sale.
- Increasing their national, regional, and trade advertising.
- Targeting to narrow, upscale markets to

A NEW ACCESSORY TO SELL

There is a new accessory for retailers to sell. The product is dashboard covers, the accessories which lay over, or are glued to, a car or truck dashboard to protect it or to cover damage from fading, cracking, burns, and stains. There are universal SKUs which fit many car models, but the majority of business is for custom covers ordered by model and color. The dashboard covers product category is rapidly growing as consumers become aware that these products are available. The product is less than a decade old.

Industry participants are unclear about the size of the current market. Estimates range from $4.5 to $12 million at retail annually, and one manufacturer says the potential market is $200 million. Dashmat, the company which has the largest share of market according to industry participants, says in its promotional literature that it has sold 500,000 units in nine years.

The carpet-type, vinyl, and terry products are those available in universal applications, which one maker says people can "design and customize" by cutting the mats as they want for their vehicles. Molded dashboard covers are always custom ordered, and the great majority of the soft dashboard covers are also special orders. That means two extra trips to the retailer's store.

C. J. Condon, national sales manager for Dashmat, Phoenix, AZ, says the company has 5,000 patterns available in 14 colors. The company ships within 48 hours after the order is placed. The quick turnaround is the standard for the dashboard cover industry.

Dashmat just lowered its prices. Price competition is one indication that the product category is not only growing but also heating up. Condon says that she counted 21 other dashboard cover makers at a recent trade show. But "we invented the dash cover industry," she said, "and we have more sales than all the others combined. We're pretty hard to beat."

Condon predicts that "It's going to be an absolutely tremendous market." Dashy's John Rodriguez agrees about the market's potential and the increase in competition. He predicts only two or three companies left after that shakeout.

Roy Dean, national sales manager for Import Auto Products, Denver, CO, which makes the Coverlay products, says his company's vacuum-formed molded products come from 100 molds which fit more than 300 cars and are available in six colors. With the molded product, DIYers can use vinyl paint before they install the covers to achieve the particular shade of dashboard cover they want, or they can use the product as provided in the popular basic colors, according to Dean.

The sales for dashboard covers were, for the first several years, only in the Sunbelt states. Now sales are extending beyond the Sunbelt, and marketing is expanding to call attention to the damage that exposure to intense cold can cause the dashboard.

Initially, the product was aimed at owners of older cars, but Dashmat, Dashy, and Dash Designs, Tempe, AZ, say that their sales are predominantly for applications for newer vehicles. The Coverlay sales are currently skewed toward the older applications, says Dean, who comments that people are very interested in replacing damaged dashboards since they're keeping cars longer. "If a consumer goes to the dealership for a replacement, he may spend as much as $1,400 for an OE replacement and installation," Dean says.

Besides auto parts chains, dashboard cover makers sell product through specialty WDs servicing trim shops, to auto boutiques, to performance shops, and to new car dealers.

The potential for the product category was summed up by one supplier this way: "People are more and more appearance conscious. They're buying better quality seat covers for their cars and trucks. They're choosing the higher end polishes and appearance chemicals. Cars cost a lot of money these days and people are keeping them longer. They're willing to spend money to keep those cars looking good and to make them look better."

SELL THE EXTRAS

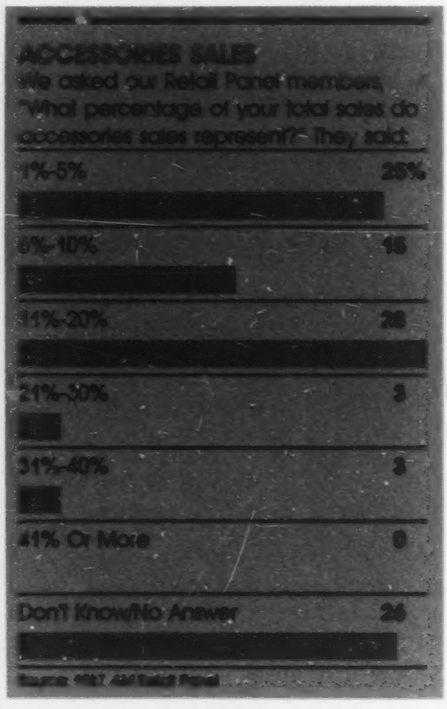
offset compressed margins in the mass merchandiser segment of the market.

- And, placing increasing emphasis on high-priced remote units (which have to be installed) as opposed to plug-in models. The principal connection between higher prices and remote mounting is theft. An expert says, "Radar detectors are valuable items which are subject to theft if they lie exposed in a parked car." As a result, he anticipates growing interest in remote mounting of units, particularly for the higher priced items.

Besides tougher competition, the "microwave war" between designers of radar guns and radar detectors is hot. According to Electrolert's sales director John Ross, "The latest models of radar guns produce fast bursts of energy; they are harder to detect with older, slower reacting types of radar detectors." Newer models use a dual microprocessor system for constantly monitoring the environment and reacting.

Automotive Sound

This is the largest single category within the vast automotive accessories business. We estimate that retail sales of aftermarket sound products reached $1.85 billion in 1984. Two of the largest manufacturers of aftermarket sound products believe that $2 billion dollars is a realistic estimate of 1986 sales.



However, like the radar detector market, the sound market has gotten squeezed around the mid-section. Carmakers (domestic as well as foreign), are now offering higher quality sound systems as standard equipment on their new cars.

The new car buyer can now obtain, on numerous models, the same type of features previously found only in aftermarket systems such as: superior speakers, cassette players with auto reverse, ETR, seek/scan, and memory. And, as might have been expected, many car buyers have been willing to go with the OEM products.

The losers in this squeeze play appear to be car dealers (most of whom would be happy to sell the car buyer an aftermarket upgrade which usually represents more profit to them), the car dealer expediters who specialize in supplying and installing accessories to car dealers, and those aftermarket sound manufacturers which have traditionally depended on mid-market/car dealer business.

The manufacturers and retailers serving both the low end and the high end of the vehicle car audio market are in better shape, however.

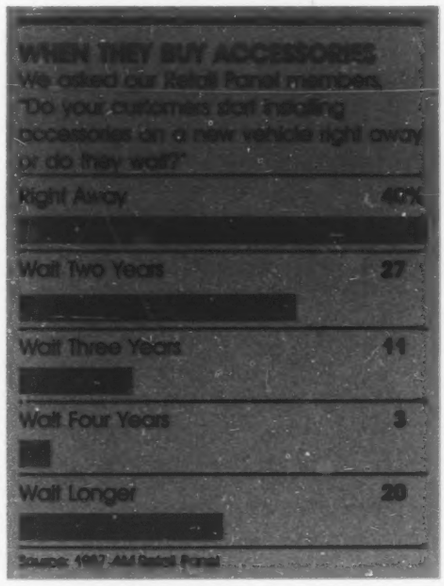
At the low end of the market, the customer is likely to be a DIYer who owns an older car or truck (about 4-6 years old in the experience of Kraco and Sparkomatic), a person who demands a better sound system than found in a preowned vehicle, someone not averse to ripping out existing speakers and heads to replace them with something better and, at the same time, someone who is price conscious. This DIYer tends to buy sound components in the $69 to $89 range. The DIYer shops for sound products at mass merchandisers' audio departments or at auto chain stores offering a good selection of sound products at competitive prices.

These days, mass merchandisers and auto chain stores are also finding a growing market in selling low-to-medium priced sound systems to owners of new or "newish" light trucks, mini vans and full-size vans. There are three reasons for this, according to Ed Anchel, president of Sparkomatic. They are:

- The phenomenal growth in sales of light trucks.
- The buyer of light trucks is apt to be a sound enthusiast and a DIYer. In fact, says Anchel, "This customer may have bought a light truck because he *is* a DIYer." (Don't forget to sell that toolbox for the back of this DIYer's truck.)
- And the automakers have left an opportunity for the independent aftermarket when it comes to light trucks by selling the trucks stripped or with relatively humdrum sound systems. The fact that light truck sales have skyrocketed recently has had substantial impact on the sound business, too.

When it comes to sound for trucks, California-based Kraco is particularly proud these days of its offerings for light truck applications. "In a box three feet high we have all the equipment needed for a sound system in a light truck, including front and rear speakers. The package is a terrific point-of-purchase tool," according to president Larry Kraines.

The other segment of growth in the sound business is at the high end. The customers who own upscale cars, tend to appreciate very high quality sound, and they are not afraid to spend $500 and $600 on various components and upwards of $2,000 for custom installation. These car owners tend to patronize shops which specialize in the sale and installation of high priced sound systems.



A wide gulf separates the high end and the low end of the market. They demand different products, different programs—even different trade names. For example, Audiovox serves the car dealer market and mass merchandisers under that name but its high end products for the audio specialist market are sold under the Hi-Comp name.

Compact discs may seem like the next natural step in car sound sales. However, one marketing director for an audio supplier says, "Consumers have not shown a great deal of interest in underdash CD players, partially because they are vul-

SELL THE EXTRAS

nerable to theft." Because of the theft issue, suppliers and customer will be looking for accessories that are placed in the trunk and are wired into the dash in the future. Many industry experts believe the trunk will be the next frontier for accessories.

Security Devices And Systems

In the never ending battle between professional thieves and automotive security systems designers, it is the retailers who win. Like it or not, automotive security is big business.The overall demand for security devices continues to rise.

Approaches for dealing with auto theft include *deterrents* (chiefly alarms), *cutouts* (to prevent a thief from starting the engine) and *mechanical locks* on various components of the system. Retailers should have no trouble selling both low and high end devices.

One of the newer security products retailers may want to look at is Quadra Lock. Quadra Lock, a patented device for hydraulically or pneumatically locking the brakes on all four wheels, is manufactured by Guardian Systems of Montebello, CA. How does Quadra Lock differ from other devices?

"Simple. Once you activate the system, by turning a special key, and depress the brake pedal, the brakes on all four wheels are locked in place. That car can not be driven or towed away until you insert the key to deactivate the system," according to Joe Murkijanian of Guardian.

Quadra Lock is basically a two-way valve. When activated it acts as a one-way check valve. Pressure from the master cylinder travels through the valve and will not return, locking the brakes.

Murkijanian says that, "Brakes will not lock-up while the vehicle is in motion due to the fact that all pressure must originate at the brake pedal. Simply turn and remove the special key and the system is on. The first time the brake pedal is depressed the system is activated. The system is completely mechanical so there is no chance of malfunction or defeat by electrical means." Quadra Lock was invented in Italy. Guardian distributed the product in the United States before acquiring, from the heirs of the inventor, the rights of manufacture it.

The DIY kit retails for about $248. Murkijanian says, "Any mechanic of average ability can install a Quadra Lock; that includes DIYers. If a car owner has the ability to change his master cylinder, he can install a Quadra Lock." He thinks the product is also a natural for any chain store, tire dealer or muffler shop which offers brake services.

More traditional are the intrusion alarms available for retail sale. They've proven so effective in deterring theft that many insurance companies offer discounts to car owners who install approved systems. Typical keyless intrusion alarm systems are armed passively and have 60 second exit and ten second entrance delays.

Even more sophisticated are the remote alarms. Using a miniature transmitter, a car owner can arm his system after he leaves the car and disarm it before he enters. In 1985, Anes Electronics introduced its RC-200 remote system which retailed for about $199, and had to be connected to the car's antenna. Anes' newest product in this series is RC-300, a much more compact version which is easier to install and a lot less expensive. The receiver has its own built-in antenna and is designed for under-dash mounting. The suggested retail price of $119 includes two transmitters small enough to hang on key chains.

Security experts will tell you that there is no device that cannot be circumvented by some professional thief. Alarms are becoming more sophisticated and they are useful in discouraging some thieves and warning the owner that an intruder is attempting to enter his vehicle. But, alarms can only deter, not prevent, theft. High-tech cars seem to attract high-tech thieves who come fully prepared to disarm alarms, break locks, and hot-wire ignitions. High-tech retailers will be ready for them, though, with even more inventive alarms.

And retailers will be ready for even more accessories sales with truck loads of the types of goodies vehicles owner love to buy. ■

INSTALLING EXTERIOR ACCESSORIES

Custom wheels wheel covers, sun roofs, roof racks, door edge guards, side molding, running boards, roll bars, truck mirrors, and pass-through windows are just some of the exterior accessories available today.

One factor in the exterior accessories market is the increasing interest of vehicle owners in professional sources of installation. Although these items are being sold every day by DIY-oriented retailers, there are numerous prospects for installing these products. Customers sometimes, understandably, hesitate to punch holes and/or cut holes in the roofs and bodies of their vehicles.

Retailers appear to have three options for dealing with the prospect of installing exterior accessories for the customer who is uncertain about his ability to do the work himself:

- Provide the advice and guidance the customer needs to do the work himself.
- Sell him the unit and refer him to one or more qualified installers who will do the work for a fee.
- Provide installation services at the store's own service bays.

An example of a company which has gone all-out for the first approach is Champion Auto Stores, New Hope, MN. If, for example, a customer needs guidance in installing a sun roof, any Champion sales person can lead him to the store's video disc player which has a Champion-produced segment devoted specifically to the topic of "How To Install Your Sun Roof." The customer is taken through the process step by step; he sees someone on the screen performing each operation.

The second approach for retailers is to refer the customer to a qualified installer. At this time, not many chains appear to have much enthusiasm for that approach. They tend to feel that recommending an installer opens the store to criticism, complaints—even a law suit—if the recommended installer performs poorly.

The third approach is to take the position that, "We are prepared to install anything we sell." Up to this time this has not been a popular position among chain stores. In the first place, the majority of the automotive chain stores have no installation capacity. In the second place, even the stores which have service bays tend to be cautious about the kind of service work they will accept. For example, the Advance Auto Stores, Roanoke, VA, now limit their automotive services to mounting and balancing tires. Most chains which service bays have broader menus of service than that; however, they tend to shy away from any job which entails hassles with customers about the quality of the work performed.

However, we appear to be at the point when some of the larger, more aggressive service-oriented chains will undertake installation of accessories in addition to selling these items over-the-counter.

One supplier notes that an increasing number of chain stores are interested in installing security devices. "In fact, they are interested in installing any item which is not hard to install and which will not result in come-backs." His company provides installation training for interested retailers. That training has, he says, resulted in increased sales.

POS: GETTING MORE THAN EXPECTED

POS systems are key elements in the success of retailers today. They will play an even greater role in the future.

by **Randy Allen,** Touche Ross

Retailers are getting much more from their point-of-sale (POS) systems than they expected. Consequently, retailers in all segments, including the aftermarket, are investing heavily in this technology and receiving benefits from its increased use, according to the 1986 National Retail Merchants Association/Touche Ross survey. But while respondents to the 1986 survey say they are getting much more from their systems than did retailers in similar 1977 and 1981 surveys, the full potential of these systems is still to be tapped.

The majority of North American respondents to the 1986 survey have fewer than 20 stores, and annual sales of slightly less than $50 million. This is true for stores across all segments within the retail survey. The average store sales per square foot (in the entire international respondent base) ranges from $116/sq. ft. in department stores to $540/sq. ft. in hypermarkets, a form of retailing prevalent in Europe. Average sales per employee are highest in variety stores with $951/employee, and lowest in softgoods specialty stores, with $82/employee.

Only 5% of survey respondents have no POS installation, while 45% of all respondents have fully converted to POS.

Point-of-Sale Environment

The respondents feel that POS is cost-justified. In fact, it pays for itself. As a group, the respondents spend slightly more than 1% of sales on management information systems (MIS). It is difficult to put a dollar value on the benefits achieved, in part because the store is not a laboratory, and because improvements in merchandising and operations can often be attributed to several different factors. Nonetheless, experience has shown that the information generated through POS is translated into bottom line dollars.

More than 72% of the 1986 respondents who expected POS to lead to improved gross margin achieved their goal, whereas less than 20% in the 1977 survey realized that benefit.

Most of the 1986 respondents with POS send their data to a host computer, using a variety of methods, depending upon the type of store and the age of the equipment. Of those firms not currently communicating to a host, 13% plan to do so in the future, and the majority of those plan to start within the year.

The respondents have a very broad range of options when it comes to handling credit and accounts receivable. Bankcard and credit authorization is the most extensively used POS application. Among those who do not currently do this, 13% plan to do so within the next three years. Interestingly, at this moment very few firms have any concrete plans to implement debit card processing. This will be an application driven by market pressures rather than by retailers.

Among discount chains, SKU data is almost universally captured, while hardgoods chains (automotive parts retail stores fall within this category) have had significant progress in the use of price look-up. An additional 23% of the respondents across all store categories plan to implement price look-up in the future, an evidence of interest in the subject.

Randy Allen is a partner in the Newark, NJ office of Touche Ross. She invites comments on this article and can be reached at (201) 622-7100.

POS MERCHANDISING BENEFITS

Retail companies expect merchandising benefits from their POS systems. While the realization of the benefits has decreased, the absolute number of firms actually realizing the benefits has increased. For example (see the top line of this chart), in 1986 25% of the respondents to this study actually realized reduced markdowns from POS (56% initially expected times 45% realized expectation), while in 1981 only 14% (28% initially expected times 51% realized expectation) did so.

	1986		1981
	Initially Expected	Realized Expectation	
Reduced markdowns	56%	45%	
Reduced inventory levels	57%	42%	
Increased inventory turns	57%	40%	
Increased gross margins	56%	38%	

Source: Touche Ross

POS DATA COLLECTION BY SALES VOLUME (NORTH AMERICA)

Throughout North American, as in the rest of the world, most retailers regardless of sales volume collect POS data daily.

Sales In Millions	Collect Daily	Collect Weekly	Collect Bi-weekly	Other
Total	83%	6%	NA	11%
$1-50	84%	8%	NA	8%
$51-150	81%	5%	NA	14%
$151-250	89%	NA	NA	11%
$251-350	89%	NA	6%	5%
Over $351	80%	6%	NA	14%

Source: Touche Ross

Benefits Of POS

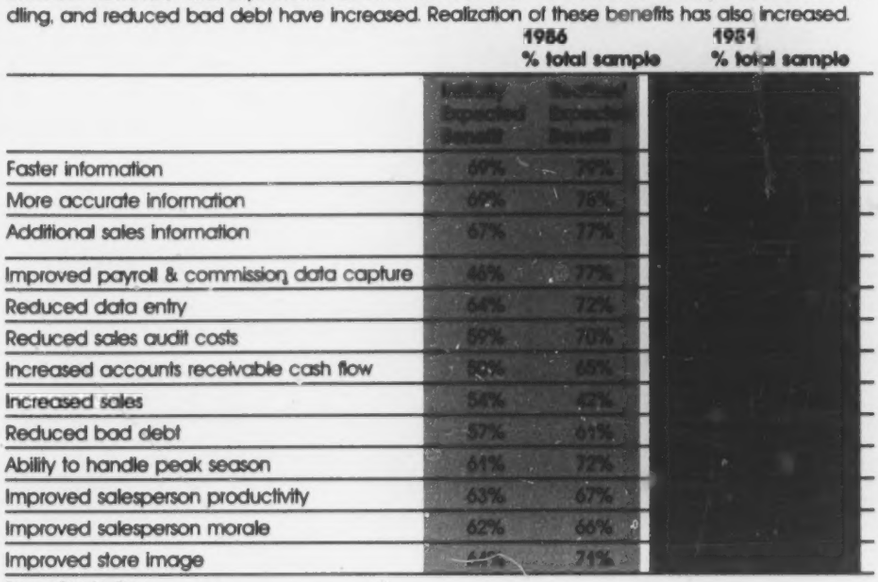
Retailers expect a lot from their POS systems, and the survey responses indicate that most retailers get it. The benefits most frequently sought are faster, more accurate information, and additional sales information. In the area of disappointments, some retailers did not realize increased sales or reduced bad debts.

Other than the most basic benefits, such as faster and more accurate information, the respondents have realized operational benefits from POS which they did not expect.

In fact, more companies in the 1986 survey received unexpected benefits than did companies in the 1981 survey. Given that initial expectation has increased substantially, the realization of benefits by those not expecting them speaks strongly

POS OPERATIONAL BENEFITS

Retailers expect many benefits from their POS systems. Study responses indicate that most retailers have realized the benefits they expected. The two benefits most frequently sought are faster, more accurate information gathering and additional sales information. In comparison to 1981, the expectations of benefits such as faster and more accurate information gathering have decreased. However, initial expectation of other benefits such as increased sales, peak season handling, and reduced bad debt have increased. Realization of these benefits has also increased.



Source: Touche Ross

in favor of the ability of POS to deliver measurable benefits to retailers.

On-Going Operations

U.S. firms generally began to convert to POS earlier than companies in other countries, so they are more completely converted. In general, the useful life of the respondents' equipment is considered to range from five to 11 years. Since the installed base (worldwide) has a mean age of about four years, many firms in the survey are thinking about replacing their equipment.

Approximately 50% of the firms, regardless of segment, plan to begin replacing equipment within the next three years. A substantial percentage of the other firms plan to wait five years.

There is no overwhelming reason as to why respondents have replaced their POS equipment. New functions are the reasons given more often by specialty stores, while low cost and unsatisfactory performance also are cited as reasons for replacement.

Today, 64% of POS equipment maintenance is done by the respondents' vendor. This is a downward trend which is expected to continue as the equipment becomes more reliable and more modular, making it much easier to repair by swapping components. Some 72% of survey participants got response within four hours of reporting a problem.

Technical Trends

Among hardgoods specialty stores, like auto parts chains, 50% key at POS, much higher than in 1981. Wanding and scanning at POS are much less common, although the practices have grown since 1981. In spite of the small number of firms currently scanning, almost 40% (across all segments) plan to introduce this procedure.

What types of machine-readable tickets are retailers planning to introduce? The dominant preference appears to be EAN/UPC, which is preferred by almost half the respondents. The bar code is in the plans of 21% of the discounters, 33% of the department stores, and 29% of the hardgoods specialty stores. A number of discount companies also show serious interest in OCR-A (21%).

The percentage of hardgoods specialty stores expecting to use universal price codes (UPC) is up from 13% to 33% in the past five years. The smaller firms are less likely to use UPC.

For the most part, as the size of the firm increases, so does the frequency of electronic communication with suppliers. For instance, among firms under $50 million, 73% state that they have no plans to institute electronic communication, while a majority of firms over $150 million plan to do so within the next year. The primary data being transmitted to suppliers is for invoices and purchase orders.

The complete results of this survey have been published in book form as "Point-of-Sale: Current Trends and Beyond." It is available from NRMA, 199 W. 34th St., New York, NY 10001, (212) 244-8780. ■

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Quantities:	Price:	Subtotal:
☐ 1-10	@ $1.00 each =	$_____
☐ 11-25	@ .75 each =	_____
☐ 26 and more	@ .50 each =	_____
	postage/handling	+2.00
	Total	$_____

Complete order form and send your check or money order to:
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AUTOMOTIVE MARKETING
The Chilton Company,
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